CIRQUE ENERGY LTD.

1995 Annual Report

Corporate Profile

Cirque Energy Ltd., a Canadian energy company based in Calgary, Alberta is engaged in the exploration, development and production of oil and gas reserves in Western Canada and the United Kingdom.

Cirque's principle focus is on crude oil, currently accounting for 90% of the Company's total revenue. Growth is being achieved primarily through drilling on internally generated prospects. Our existing production is 100% Cirque operated. The Company is committed to enhancing shareholder value through continued application of these principles.

Cirque's common shares are listed on The Alberta Stock Exchange and The NASDAQ Stock Market. The securities trade under the symbols "CIQ" and "CIRQF" respectively.

Annual Meeting Details

The Annual Meeting of Shareholders
will be held at 10:00 a.m. (Mountain Standard Time)
on Thursday, September 21, 1995
at The Bow Valley Club
Suite 370, 250 - 6th Avenue S.W.,
Calgary, Alberta

All Shareholders and interested persons are invited to attend.

Financial Highlights

CIRQUE ENERGY LTD.

For The Year Ended March 31, 1995

	1995	1994	% CHANGE
FINANCIAL ($)			
Net Oil and Gas Revenues	**1,657,000**	465,000	256
Cash Flow from Operations	**922,000**	182,000	407
Per Common Share	**0.03**	0.01	200
Net Income (Loss)	**2,000**	(20,000)	110
Capital Expenditures	**1,224,000**	1,294,000	-5
Working Capital	**842,000**	1,237,000	-32
Total Assets	**5,139,000**	2,893,000	78
Common Shareholders' Equity	**4,403,000**	2,813,000	57
Common Shares Outstanding	**31,971,080**	19,715,694	62
OPERATING			
Production			
Oil (bbls/d)	213	56	280
Natural Gas (mcf/d)	452	165	174
Average Sales Price			
Oil ($ per bbl)	18.84	15.87	19
Natural Gas ($ per mcf)	1.84	2.06	-11
Reserves			
Crude Oil - mbbls			
Proven	383	158	142
Probable	292	175	67
Total	675	333	103
Natural Gas - mmcf			
Proven	326	342	-5
Probable	1,851	611	203
Total	2,177	953	128
Undeveloped Land (acres) - Domestic			
Gross	14,720	5,280	179
Net	5,102	1,141	347

Report to the Shareholders

CIRQUE ENERGY LTD.

Cirque Energy Ltd. achieved another year of significant growth in 1995. Building on the base established by the major acquisition of Cirque Oil & Gas Ltd. on April 1, 1994, the Company recorded new highs in 1995 in all aspects of its operation.

Oil and gas production was up 280 percent and 174 percent respectively, averaging 213 barrels of oil per day and 452 thousand cubic feet of natural gas per day. Our focus on oil has continued throughout the year and by the end of March, 1995, Cirque was producing 300 barrels of oil per day. Drilling continued to be the driving force behind this growth.

Strengthening oil prices in the last quarter of our fiscal year helped offset a steady decline in oil prices for the fourth consecutive year. Despite this decline and a significant year-end drop in natural gas pricing, Cirque increased net revenues 256 percent to $1,657,000 Cash flow from operating activities was up 407 percent to $922,000 or $0.03 per share.

The Company received a total of $400,000 U.S. during the fiscal year for the repayment of a debenture with United States Exploration, Inc. Cirque has agreed to accept $320,000 U.S. for the last debenture payment due June 30, 1995, and extended through August 1, 1995. The funds are being held in escrow until closing in mid-August.

Cirque's growth during 1995 was a combination of one major corporate transaction and a successful exploitation program on the Company's properties. The program in the Battle Creek area of southwest Saskatchewan remained the focus with the completion of the third horizontal oil well and a fourth horizontal well drilled in July, 1995. Significant horizontal drilling potential still exists on this property. The Company continued to increase its inventory of developed and undeveloped lands in Alberta and Saskatchewan. Additional interests were purchased in our Cessford oil pool and subsequent to year end, a small oil pool in southeast Saskatchewan was purchased. While oil prospects will dominate fiscal 1996, future gas development will not be ignored and lands have been acquired for gas drilling in anticipation of a rebound in gas prices. The Company has continued to review corporate acquisitions as opportunities become available.

Cirque's entry into the United Kingdom may provide the basis for some significant reserve and revenue gains. The Company now controls 52,000 gross acres (33,800 net) in an oil prone region with three drillable prospects identified. The first prospect is scheduled to be drilled in October, 1995. Gross recoverable reserves of up to 40,000,000 barrels of oil per structure may be attainable.

CIRQUE ENERGY LTD.

Cirque is satisfied with the overall potential for additional discoveries in its current core areas and newly acquired lands. The Company will focus its attention on areas where it has established expertise, owns strategic land positions and has existing production infrastructure.

The Company is in an excellent position to implement the programs, policies and strategies we have in place. Our present financial position, secure cash flow stream and unused line of credit, will allow Cirque to capitalize on new opportunities.

We are optimistic about the upcoming year. In Western Canada, we will continue to pursue the competitive advantage provided by our technical capabilities and control of infrastructure, enabling us to develop our projects.

Internationally, we expect further positive developments from the United Kingdom operations as we intensify our exploration program with the drilling of the first exploratory well.

I wish to thank all of our Shareholders for their continuing support along with our dedicated Board of Directors.

On behalf of the Board of Directors,

Glen A. Phillips
President & Chief Executive Officer

Exploration and Development Overview

Cirque Energy Ltd. pursues growth through internal prospect generation, core area focus, large working interests, operatorship and the use of technological advances in order to minimize risk and increase economic return. With the recent downturn in the industry, Cirque is more readily able to aggressively pursue land purchases. The decline of expendable cash in the industry has led to a significant reduction in land values. Increasing debt load among many companies is also precipitating the sale of reserves at much more attractive pricing levels. We favourably interpret this cyclical moderation of industry activity as positive, since it has created opportunities for Cirque to progress.

The development program at Battle Creek, Saskatchewan has provided most of our oil production increase and financial growth in the last year. Four new projects were added to our inventory during and subsequent to fiscal year 1995. A major property acquisition is due for closing in the Turin area of southern Alberta, gas prone lands were acquired north of Medicine Hat, an oil production purchase was completed in the Weyburn area and a new pool drilling location was identified in the West Innes area of southeast Saskatchewan. Significant progress was also made on our United Kingdom prospect that will see an exploratory well drilled in the last quarter of 1995. These projects should contribute dramatically to a successful fiscal 1996 and help to build a diverse production profile to provide cash flow stability.

With the progression of the Company's exploration efforts into Saskatchewan and the United Kingdom, we are increasing our exposure to deeper, high-quality and long-life reserves that compliment our shallow and medium-depth reserves and balance our exposure to risk.

New projects are currently being developed by Cirque's exploration and engineering department. Cirque had at year end, no bank debt, an unused $750,000 line of credit, and increasing cash flow. This strength will enhance fiscal 1996 growth prospects as the Company pursues new projects. The 58% increase in general and administrative costs was more than offset by the 256% increase in net revenues, exemplifying some of the efficiencies gained by last year's merger.

RESERVES AND NET PRESENT VALUE

The Company's reserves of crude oil and natural gas were evaluated internally and audited by Martin Petroleum & Associates, independent petroleum engineers, in a report dated June 19, 1995. The results of the Martin report are summarized below with comparative figures shown for 1994.

	Natural Gas (mmcf)		Crude Oil (mbbls)	
	1995	1994	1995	1994
Proved Producing	326	342	382.8	158.1
Probable Additional	1,851	611	292.4	174.7
Total	2,177	953	675.2	332.8

The present value of the estimated future net revenues is:

	Discounted at 15%,($000's)	
	1995	1994
Proved Producing	3,045	1,283
Probable Additional	2,155	941
Total	5,200	2,224

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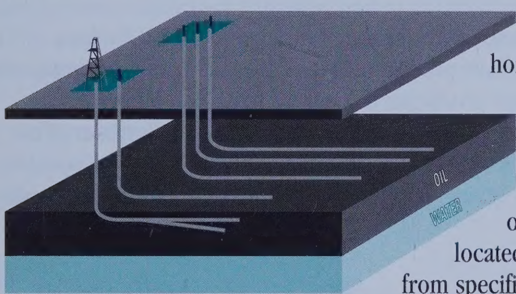
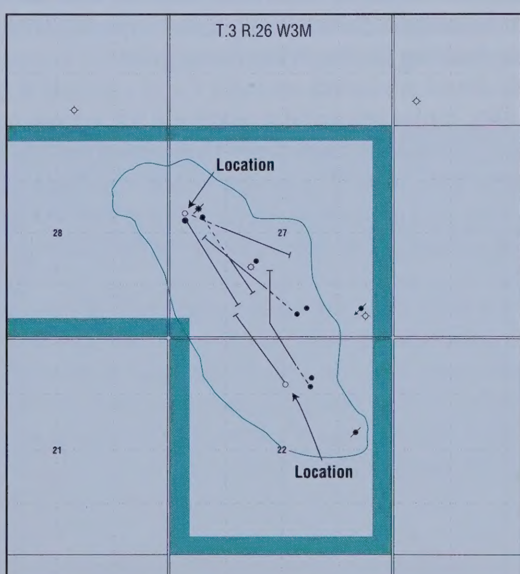
BATTLE CREEK, SASKATCHEWAN

Development has progressed on our core property with the drilling of one additional Mississippian horizontal oil well. The property now has three producing horizontal oil wells, three producing vertical oil wells, one gas well and one salt water disposal well. The pool is currently producing between 400 and 500 barrels of oil per day with ninety percent of the oil coming from the horizontals. The transformation of the Battle Creek pool using horizontal technology has been and will be a major driving force in Cirque's growth. Each of our three horizontals were located to maximize the recovery of oil from specific regions of the pool as defined by a 3-D seismic survey.

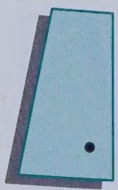


Production rates will be increased with the completion of certain battery modifications scheduled for an August, 1995 completion.

In 1995, Battle Creek will again witness substantial activity. The fourth horizontal well was drilled in July, 1995, and there remains a further two Mississippian horizontal locations and two Shaunavon horizontal locations. This ongoing program combined with battery upgrades should significantly enhance our oil production over the next two years. Cirque operates and retains a 55.5% working interest in this project.



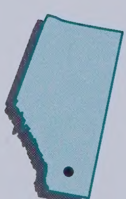
Property Review



WEST INNES/WEYBURN, SASKATCHEWAN

Geological mapping and the shooting of new seismic on Cirque owned West Innes acreage resulted in a number of drilling leads. Certain Crown lands have been posted for purchase in the August and October, 1995 land sales. One well is scheduled to be drilled in August, 1995 on an exploratory location in search of a new oil pool.

In the Weyburn area, Cirque purchased a 100% working interest in the Weyburn Unit #9. The property consists of three producing oil wells, one salt water injector, and one battery. The property, although producing only twenty barrels of oil per day, provides Cirque with battery facilities in the area and one new drilling location. This purchase will help reduce Cirque's operating costs in the area and has added upside potential to our future drilling programs. This purchase was subsequent to year end.

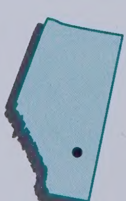


TURIN AREA, ALBERTA

The Company has pursued the acquisition of 3,680 gross (1,840 net) acres for the past two years in the Turin area. This complex endeavour is due to close on or before August 31, 1995. Technical data suggests the existence of two oil pools on the subject lands and the first two wells are scheduled to be drilled in the last quarter of 1995. Cirque will operate and maintain a 50% working interest in this project.

OTHER DOMESTIC PROPERTIES

Cirque Energy Ltd. is a regional explorer concentrating its efforts primarily in Alberta and Saskatchewan. Geological opportunities in these areas are numerous and have the potential for meaningful discoveries. To date, Cirque has been very successful in several core areas, doubling reserves at low finding costs.



On January 1, 1995, Cirque purchased an additional 3% working interest in its Cessford, Alberta oil pool. This increases Cirque's working interest to 42.3% in a pool that currently produces 130 barrels of oil per day. A frac treatment is scheduled for August, 1995 to increase pool production. Cirque operates a total of six pumping oil wells, one flowing oil well and one oil treating battery on the Cessford property.

Subsequent to year end, Cirque purchased a 100% working interest in four parcels of land totalling 440 acres in Grand Forks, Alberta. Our entry into this area is new and is backed by strong technical data. The Grand Forks area has abundant low-cost multi-zone prospects at shallow depths. This geologically productive area has the ability to generate early cash flow. The purchase of a 100% working interest in the lands allows the Company to establish strategic joint ventures.

CIRQUE ENERGY LTD.

OTHER DOMESTIC PROPERTIES

Cirque purchased a 100% working interest in 1,280 acres in the Medicine Hat area of southern Alberta. This gas prospect has been defined by substantial geological and geophysical input. Our long term outlook is for natural gas prices to recover and ultimately rise to economic levels. Cirque believes the current reduced level of gas development activity will ultimately lead to gas price increases, perhaps as early as the 1996 season. The Company intends to acquire undeveloped gas prone lands in order to take advantage of the price increases.

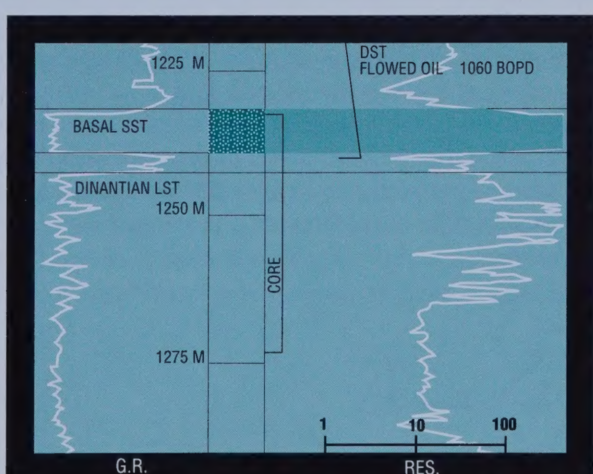
Our stable domestic production base and steady production increases has provided Cirque with the leverage for expansion into a balance of higher risk and higher reward plays.

INTERNATIONAL PROPERTIES

UNITED KINGDOM

Cirque Energy Ltd.'s United Kingdom project has progressed significantly over the past year. Our strategy for achieving this growth has two distinct components. First our goal was to establish a land base with exploration upside in an oil prone area, where reserves could be brought on stream quickly providing the cash flow to fund further development. Second, we sought to invest a limited portion of our capital budget in a high potential exploration project primarily in a proven producing region.

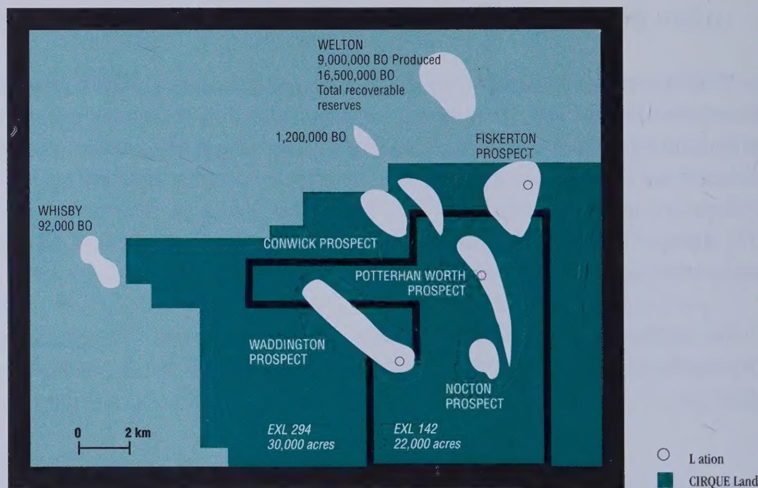
Cirque will pay for 100% of the costs of the drilling of its first exploratory well. Cirque will earn 100% interest before pay out and 65% after payout of the first well and 65% in the balance of 52,000 acres. The first well will test the Pottinghanworth features, a large 6 kilometre by 1.5 kilometre structure in Lincolnshire County.



TYPE LOG
NETTLEHAM #2 WELL

Property Review

CIRQUE
ENERGY LTD.



ENGLAND
EXL 142 and 294

Two additional large drillable locations, the Fiskerton Prospect and the Waddington Prospect, have been identified by the geological and geophysical mapping of 72 kilometres of seismic data.

The property is situated two kilometres south of an oil prone area that is home to the second largest producing on-shore oil pool in England - the Welton Pool. Two of our proposed locations will test similar type Welton models.

Applications have been made with the United Kingdom regulatory authorities and a surface lease has been acquired. Given timely approvals, the first test well will be drilled in October, 1995.

We believe the United Kingdom property has the potential to become a core producing area and we are seeking additional opportunities to add high quality services at a cost that ensures an attractive return to shareholders.

Cirque intends to consistently pursue, with a small portion of our budget, a select program of high potential prospects and test the viability of significant reserve accumulations with wells in the United Kingdom.

CIRQUE ENERGY LTD.

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The accompanying financial statements are the responsibility of management and the Board of Directors of Cirque Energy Ltd. The statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Financial information presented throughout the annual report is consistent with that in the financial statements.

Management has developed and maintains appropriate systems of internal control designed to safeguard assets from loss and to ensure the accuracy of the financial records.

The Audit Committee of the Board of Directors has reviewed the financial statements with management and the external auditors. The financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

President — Controller

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Cirque Energy Ltd. as at March 31, 1995 and 1994 and the consolidated statements of operations and retained earnings and changes in financial position for each of the years in the three year period ended March 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1995 and 1994, and the results of its operations and changes in its financial position for each of the years in the three year period ended March 31, 1995 in accordance with generally accepted accounting principles.

Calgary, Alberta

Doane Raymond

DOANE RAYMOND
Chartered Accountants

June 9, 1995

Consolidated Statements of Operations and Retained Earnings
Years Ended March 31

CIRQUE ENERGY LTD.

See accompanying notes to the financial statements.

	1995	1994	1993
Revenue			
Oil and gas sales	$ 1,782,350	$ 491,046	$ 392,918
Royalties	(125,271)	(25,678)	(16,596)
	1,657,079	**465,368**	**376,322**
Expenses			
Operating costs - oil and gas	602,451	154,601	79,532
General and administrative	440,685	279,267	211,165
Site restoration costs	57,000	24,000	12,000
Depreciation, depletion and amortization	800,702	243,944	114,502
	1,900,838	701,812	417,199
Loss before the undernoted	(243,759)	(236,444)	(40,877)
Debenture interest	172,875	119,531	-
Foreign exchange gain	2,000	81,407	-
Interest and other income	139,034	15,897	-
Write down of debenture	(68,205)	-	-
	245,704	216,835	-
Earnings (loss) from continuing operations	1,945	(19,609)	(40,877)
Current income tax expense (Note 10)	333,300	57,500	22,800
Income tax recovery due to application of prior years' losses	(333,300)	(57,500)	(22,800)
Net earnings (loss) from continuing operations	1,945	(19,609)	(40,877)
Loss from discontinued operations (Note 3)	-	-	(2,528,219)
Net earnings (loss)	**$ 1,945**	**$ (19,609)**	**$(2,569,096)**
Deficit, beginning of year	$ -	$(13,376,574)	$(10,807,478)
Net earnings (loss)	1,945	(19,609)	(2,569,096)
Elimination of deficit on reduction of capital stock (Note 7)	-	13,396,183	-
Retained earnings (deficit), end of year	$ 1,945	$ -	$(13,376,574)
Per share data:			
Basic loss per share (Canadian Basis)			
Continuing operations	$ -	$ -	$ 0.01
Discontinued operations	$ -	$ -	$ 0.16
Primary loss per share (United States Basis)			
Continuing operations	$ -	$ -	$ 0.01
Discontinued operations	$ -	$ -	$ 0.15

Consolidated Balance Sheet
March 31

CIRQUE ENERGY LTD.

See accompanying notes to the financial statements.

	1995	1994
Assets		
Current		
Cash	$ 261,660	$ 276,267
Accounts receivable	613,466	67,221
Deferred share issue costs	-	82,330
Debentures receivable (Note 3)	412,705	855,735
Inventory	14,768	-
	1,302,599	1,281,553
Petroleum and natural gas properties and equipment (Note 5)	3,715,255	1,604,830
Fixed (Note 6)	12,892	7,104
	$ 5,030,746	$ 2,893,487

	1995	1994
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 460,748	$ 44,219
Site restoration costs	143,000	36,000
	603,748	80,219
Shareholders' Equity		
Capital stock (Note 7)	4,425,053	2,813,268
Retained earnings (deficit) (Note 7)	1,945	-
	4,426,998	2,813,268
	$ 5,030,746	$ 2,893,487

On behalf of the Board

[signature] Director   [signature] Director

Consolidated Statement of Changes in Financial Position
Years Ended March 31

CIRQUE ENERGY LTD.

See accompanying notes to the financial statements.

	1995	1994	1993
Cash derived from (applied to)			
Operating			
Earnings (loss) from continuing operations	$ 1,945	$ (19,609)	$ (40,877)
Items not involving cash			
Depreciation, depletion and amortization	800,702	243,944	114,502
Site restoration costs	57,000	24,000	12,000
Unrealized foreign exchange gain	(5,500)	(66,827)	-
Write down of debenture	68,205	-	-
	922,352	181,508	85,625
Net decrease in non-cash operating working capital items of continuing operations	(30,905)	(79,129)	(61,783)
	891,447	102,379	23,842
Loss from discontinued operations	-	-	(2,528,219)
Items not involving cash			
Depreciation, depletion and amortization	-	-	163,465
Equity in net loss of joint venture	-	-	86
Minority interest	-	-	(59,121)
Provision for loss on disposal of discontinued operations	-	-	2,238,751
	-	-	(185,038)
Net increase in non-cash operating working capital items of discontinued operations	-	-	180,070
	-	-	(4,968)
	891,447	102,379	18,874
Investing			
Additions to oil and gas interests	(1,221,569)	(1,293,583)	(217,375)
Additions to fixed assets	(2,220)	-	-
Acquisition of subsidiary	(1,674,375)	-	-
Proceeds on redemption of debentures	380,325	262,969	-
Proceeds on sale of subsidiary	-	1,151,227	-
Investment in debentures	-	(1,051,877)	-
Other	-	-	1,732
Investing activities - discontinued operations	-	-	4,968
	(2,517,839)	(931,264)	(210,675)
Financing			
Capital stock repurchased for cancellation	(14,625)	-	-
Proceeds from issue of capital stock	19,740	1,087,790	192,846
Shares issued pursuant to acquisition	1,606,670	-	-
	1,611,785	1,087,790	192,846
Net cash (used) provided	(14,607)	258,905	1,045
Cash, beginning of year	276,267	17,362	16,317
Cash, end of year	$ 261,660	$ 276,267	$ 17,362

CIRQUE ENERGY LTD.

1. Summary of significant accounting policies

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, and with respect to the corporation's continuing operations, reflect the policies listed below. All financial statement amounts are stated in Canadian dollars. The financial statements presented are those of Petrolantic Ltd. which, effective April 1, 1994, changed its name to Cirque Energy Ltd.

Principles of consolidation

The consolidated financial statements include the accounts of the Company, and its wholly-owned subsidiary, Petrolantic Inc.

Joint ventures

During the year the Company conducted substantially all of its Canadian oil and gas exploration and production activities on a joint venture basis. These financial statements reflect only the Company's proportionate interest in such activities.

Petroleum and natural gas properties

The Company accounts for its oil and gas interests following the accounting guideline, Full Cost Accounting in the Oil and Gas Industry, issued by the Canadian Institute of Chartered Accountants. Under this guideline, the Company follows the full cost method of accounting for petroleum and natural gas operations whereby all costs of exploration for and development of petroleum and natural gas reserves are capitalized. Costs include lease acquisition costs, geological and geophysical expenses, costs of drilling both productive and non-productive wells and overhead charges directly related to exploration activities. Proceeds from the sale of oil and gas properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would significantly alter the rate of depletion and depreciation.

Depletion of exploration and development costs and tangible equipment is provided using the unit-of-production method based upon estimated proven petroleum and natural gas reserves.

The carrying value of the Company's petroleum and natural gas properties and production equipment, net of recorded deferred income taxes, is compared annually to an estimate of future net cash flow from the production of proved reserves using year end prices, (unless there have been rapidly fluctuating prices, in which case an average price is used), less estimated future general and administrative expenses, financing costs and income taxes. Should this comparison indicate an excess carrying value, the excess is charged against earnings as additional depletion and depreciation.

CIRQUE ENERGY LTD.

1. Summary of significant accounting policies (Continued)

Site restoration costs

Estimated future costs of well abandonment and site restoration, including removal of production facilities at the end of their useful life, aggregate $304,000. Costs are based on estimates valued at year end prices and in accordance with the current legislation and industry practices. The annual provision is computed on a unit-of-production basis and is recorded as an expense for the year; the accumulated provision is classified as a non-current liability.

Depreciation

Fixed assets are stated at cost. Depreciation is provided over the estimated useful lives of the assets at the following annual rates, once the asset is put into productive use:

Computer	30%	declining balance
Office furniture and equipment	20%	declining balance

Foreign currency translation

Petrolantic Inc. is considered financially and operationally dependent upon the parent company, and thus its accounts are translated into Canadian dollars using the current rate of exchange for monetary assets and liabilities, the historic rate for non-monetary assets and liabilities, and at average rates of exchange for the period for revenues and expenses.

United States Exploration, Inc. was considered financially and operationally independent of the parent company, and thus its accounts were translated into Canadian dollars using the current rate of exchange for all assets and liabilities and at average rates of exchange for the period for revenues and expenses.

The debentures receivable, which are monetary assets, are translated into Canadian dollars using the current rate of exchange at the year end.

Loss per common share

The basic and primary loss per common share are computed using the weighted average number of common shares outstanding during the year. Fully diluted loss per share is not presented as the calculation would be antidilutive.

Flow-through common shares

The Company credits the full amount of the proceeds of flow-through shares, (which transfer the deductibility of petroleum and natural gas exploration and development expenses to the investor), including the premium paid for such tax deductions, to capital stock.

CIRQUE ENERGY LTD.

2. Business combination

During the year, the Company (formerly Petrolantic Ltd.) issued 12,273,986 common shares in exchange for all of the issued and outstanding common shares of Cirque Oil & Gas Ltd., representing a share exchange ratio of 10.2 of the Company's common shares for each Cirque common share. The shareholders also voted to change the name of the company from Petrolantic Ltd. to Cirque Energy Ltd. The share exchange and name change were effective April 1, 1994 at which time the combining companies were amalgamated pursuant to the provisions of the Alberta Business Corporations Act.

The acquisition was recorded using the purchase method, and the allocation of the purchase price to acquired net assets is as follows:

Petroleum and natural gas property and equipment, net of deferred income taxes of $132,200	$ 1,481,331
Increment to fair market value	211,796
	1,693,127
Working capital	31,248
Other assets	14,625
Provision for future site restoration costs	(50,000)
Purchase price	$ 1,689,000

3. Discontinued operations and debentures receivable

During the 1993 fiscal year the Board of Directors endorsed a plan to dispose of the Company's ownership of United States Exploration, Inc. (USX), an 82.3% owned subsidiary. United States Exploration, Inc. was a natural gas producer and processor and provided consulting and management services. Pursuant to an Exchange Agreement effective May 10, 1993 the Company sold its entire shareholding position of 6,624,500 common shares. The Company received $99,350 for 624,500 shares and the remaining 6,000,000 shares were exchanged for 2,000,000 each of Series A, B and C Debentures. The Series A debenture was redeemed for cash of $300,000 U.S. in October, 1993. The Series B debenture was redeemed for cash of $400,000 U.S. in increments to January 20, 1995.

The Series C debenture by way of an amending agreement will be redeemed on June 30, 1995 for $320,000 U.S. As a result the Series C debenture has been written down $49,000 U.S.

CIRQUE ENERGY LTD.

3. Discontinued operations and debentures receivable (Continued)

Due to the non-interest bearing nature of the debentures, interest has been imputed by management and an unamortized discount has been determined:

Non-interest bearing debentures, at maturity	$	1,530,000
Unamortized discount based on imputed interest rate of 32%		478,123
Balance, March 31, 1993		1,051,877
Redemption of Series A Debenture		262,969
		788,908
Unrealized foreign exchange gain		66,827
Balance, March 31, 1994		855,735
Redemption of Series B debenture		380,325
Unrealized foreign exchange gain		(5,500)
Write down of Series C debenture		68,205
	$	412,705

As the Company receives cash for redemption of the debentures, the appropriate portion of the discount of $478,125 is recognized as income.

The Company accounted for USX operations as discontinued operations as at March 31, 1993.

CIRQUE ENERGY LTD.

3. Discontinued operations and debentures receivable (Continued)

The operating results of the discontinued operations which were reflected in the statement of operations and deficit under the caption discontinued operations for 1993, were comprised as follows:

Revenue	
Oil and gas sales	$ 118,457
Natural gas gathering revenues	3,242
Partnership management income	25,826
Other income	1,733
	149,258
Expenses	
Production costs - oil and gas	138,124
Production costs - natural gas gathering systems	22,277
Depreciation, depletion and amortization	163,465
General and administrative	173,895
Equity in net loss of joint venture	86
	497,847
Loss before the undernoted	(146,894)
Minority interest	59,121
Net loss before the undernoted	(289,468)
Provision for loss on disposal of discontinued operations	(2,238,751)
Net loss	$ (2,528,219)

4. Related party transactions and contractual obligations

Effective April 1, 1994, Powder Petroleum Ltd. provided management services to the Company under contract for $8,000 per month. The president of Powder Petroleum Ltd. is a director and an officer of the Company.

CIRQUE ENERGY LTD.

5. Petroleum and natural gas properties	1995	1994	1993
Petroleum and natural gas properties and equipment	$5,711,755	$2,056,830	$ 763,247
Less:			
Accumulated depreciation, depletion amortization and valuation allowance	(1,996,500)	(452,000)	(210,000)
	$3,715,255	$1,604,830	$553,247

Approximately $1,108,140 (1994 - $901,000) of the above petroleum and natural gas properties have no cost basis for tax purposes as the result of flow-through shares issued.

6. Fixed Assets	1995	1994	1993
Computer	$ 21,070	$ 18,850	$ 18,850
Office furniture and equipment	37,804	23,333	23,333
	58,874	42,183	42,183
Less accumulated depreciation	(45,982)	(35,079)	(33,135)
	$ 12,892	$ 7,104	$ 9,048

CIRQUE ENERGY LTD.

7. Capital stock

Authorized:

Unlimited number of common shares without par value

	Number of Shares	Proceeds
Issued:		
Balance, March 31, 1992	14,775,661	$14,928,815
Pursuant to a rights offering (net of cost of issue of $31,425)	1,304,533	190,346
Exercise of directors and officers stock options	10,000	2,500
Balance, March 31, 1993	16,090,194	15,121,661
Pursuant to flow-through share offering (net of costs of issue of $135,084)	3,165,000	972,665
Exercise of directors and officers stock options	460,500	115,125
Elimination of deficit on reduction of capital stock	-	(13,396,183)
Balance, March 31, 1994	19,715,694	2,813,268
Pursuant to the acquisition of subsidiary, Note 2 (net of costs of issue of $82,330)	12,273,986	1,606,670
Exercise of options	56,400	19,740
Returned to treasury for cancellation	(75,000)	(14,625)
Balance, March 31, 1995	31,971,080	$ 4,425,053

At a special meeting held on March 24, 1994, the shareholders of the Company approved a special resolution reducing the stated capital applicable to the common shares of the Company by an amount equal to the deficit which would otherwise be shown in the audited financial statements as at March 31, 1994, and applying this amount to eliminate the accumulated deficit.

CIRQUE ENERGY LTD.

7. **Capital stock (Continued)**

Stock options

The following is a summary of stock options issued to officers and directors for the years noted:

	Number of Shares	Price Range Per Share
Outstanding at March 31, 1992	1,305,000	\$0.25 - \$0.60
1993		
Cancelled/expired	(250,000)	\$0.25 - \$0.60
Exercised	(10,000)	\$0.25
Outstanding at March 31, 1993	1,045,000	
1994		
Granted	800,000	\$0.28
Cancelled/expired	(155,000)	\$0.45
Exercised	(460,500)	\$0.25
Outstanding at March 31, 1994	1,229,500	
1995		
Granted	490,000	\$0.28
Cancelled/expired	(330,000)	\$0.28
Outstanding at March 31, 1995	1,389,500	

The stock options outstanding at March 31, 1995 are summarized as follows:

Shares	Price	Expiry
429,500	\$0.25	March 28, 1996
500,000	\$0.28	October 5, 1998
310,000	\$0.28	May 16, 1999
150,000	\$0.28	September 22, 1999

Warrants outstanding at March 31, 1995 are summarized as follows:

Shares	Price	Expiry
3,165,000	\$0.45	April 15, 1995

Subsequent to year end all the above warrants expired.

CIRQUE ENERGY LTD.

8. Segmented information

Financial data by geographic and industry segment is presented below for the year ended March 31, 1993. In 1994 and 1995 the Company operated only in Canada in the exploration and development segment.

Geographic Segments		
Segment revenue		
Canada	$	376,322
United States		149,258
	$	525,580
Segment loss		
Canada	$	40,877
United States		2,528,219
	$	2,569,096
Segment identifiable assets		
Canada	$	644,917
United States		1,151,227
	$	1,796,144
Industry segments		
Segment revenue		
Exploration and development	$	494,779
Processing and management services		30,801
	$	525,580
Segment loss (income)		
Exploration and development	$	2,599,897
Processing and management services		(30,801)
	$	2,569,096
Segment identifiable assets		
Exploration and development	$	1,204,004
Processing and management services		592,140
	$	1,796,144

CIRQUE ENERGY LTD.

9. Commitments

The Company is party to a five year office lease agreement with three years remaining at year end. The total lease is $3,285 per month of which $600 is subleased. The net commitment to the Company is $2,685 per month.

10. Income taxes

a. The provision for income taxes differs from the result that would be obtained by applying the combined Canadian Federal and Provincial income tax rate of approximately 44.3% to loss from continuing operations. The difference results from the following:

	1995	1994	1993
Computed expected tax (recovery)	$ 900	$ (8,700)	$ (18,100)
Increase (decrease) resulting from:			
Depletion of resource properties having no tax cost	81,100	52,300	-
Non-deductible Crown charges	84,800	25,000	23,800
Alberta royalty tax credit	(34,700)	(14,600)	(16,400)
Federal resource allowance	(86,900)	(10,300)	(16,400)
Other adjustments	(11,000)	(19,800)	(3,300)
Unrecognized deferred tax benefits and losses	299,100	33,600	53,200
Income tax expense	$ 333,300	$ 57,500	$ 22,800

b. No recognition is given to the potential tax benefit of losses in these financial statements. The Company has losses available, which may be utilized to offset taxable income of future years, which expire as follows:

1996	$ 320,000
1997	223,000
1998	323,000
1999	26,000
	$ 892,000

In addition, the Company has a capital loss of $2,745,000 which may be utilized to offset capital gains of future years.

10. Income taxes (Continued)

c. The Company has available the following approximate amounts which may be deducted, at the annual rates indicated, in determining taxable income of future years:

	Rate	1995	1994	1993
Canadian exploration expense	100%	$ 608,000	$ 383,000	$ 345,000
Canadian development expense	30%	1,151,000	423,000	379,000
Canadian oil and gas property expense	10%	506,000	135,000	39,000
Undepreciated capital cost	20-100%	1,056,000	452,000	237,000
Share issue costs	5 year straight-line	139,000	188,000	31,000
		$ 3,460,000	$ 1,581,000	$ 1,031,000

11. Reconciliation between Canadian and United States generally accepted accounting principles

These consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles, (GAAP), in Canada, which differ in some respects from GAAP in the United States. The material differences between the two are summarized below:

a) GAAP in Canada allows for the reduction of stated capital of outstanding common shares with a corresponding offset to deficit. This reclassification, which was made in the 1994 fiscal year, is not permitted by United States GAAP. Had the statements been prepared in accordance with United States GAAP, both the deficit and capital stock would have been greater by $13,396,183 at March 31, 1995 and 1994.

b) As described in Note 2, the Company was party to a share exchange with Cirque Oil & Gas Ltd. which resulted in the combination of the two Companies. For Canadian GAAP purposes, this transaction will be accounted for by the purchase method. However, for United States GAAP purposes, the transaction meets the requirements of a pooling-of-interests.

CIRQUE ENERGY LTD.

11. Reconciliation between Canadian and United States generally accepted accounting principles (Continued)

The differences in the carrying value of petroleum and natural gas interests and shareholders' equity are as follows:

Carrying value of petroleum and natural gas properties - Canadian GAAP	$	3,715,255
Less purchase price increment included in above at net book value		(174,096)
Carrying value of petroleum and natural gas properties - U.S. GAAP	$	3,541,159
Shareholders' equity - Canadian GAAP	$	4,426,998
Purchase price increment over equity of Cirque Oil & Gas Ltd.		(174,096)
		4,252,902
Costs related to acquisition of subsidiary to increase capital stock for U.S. GAAP		82,330
Expense of acquisition costs for U.S. GAAP		(82,330)
Shareholders' equity - U.S. GAAP	$	4,252,902

c) United States U.S. full cost accounting rules differ from Canadian full cost accounting guidelines followed by the Company. In determining the limitation on the carrying values of petroleum and natural gas properties at year end, U.S. accounting rules require that the Company use year end oil and gas prices in arriving at future net revenues from the oil and gas properties and that these future net revenues be discounted at 10%. Canadian guidelines allow the use of average oil and gas prices in those circumstances described in Note 1 to the financial statements These guidelines use undiscounted future net revenues and require the deduction of estimated future administrative costs The carrying value of petroleum and natural gas properties of the Company would have been written down $152,000, in 1995, under the U.S. accounting rules. As a result, depletion expense under U.S. GAAP would have been lower in the current and future years.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Glen A. Phillips
Professional Geologist
Calgary, Alberta
President and
Chief Executive Officer
Cirque Energy Ltd.

Ron A. Shaw*
Professional Engineer
Calgary, Alberta
Vice-President, Engineering
Cirque Energy Ltd.

Peter C. Nichols*
Edmonton, Alberta
Principal
Nichols Applied Management

Harley L. Winger*
Calgary, Alberta
Solicitor
Burstall Ward

* Member of Audit Committee

EXECUTIVE OFFICE

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Fax: (403) 290-0043

OFFICERS

Glen A. Phillips
Professional Geologist
President and
Chief Executive Officer

Ron A. Shaw
Professional Engineer
Vice-President, Engineering

JoAnne M. Dorval
Certified General Accountant
Corporate Secretary and
Controller

WHOLLY OWNED SUBSIDIARY

PETROLANTIC INC.
Tulsa, Oklahoma

TRANSFER AGENT & REGISTRAR

The R-M Trust Company
P.O. Box 2517
Calgary, Alberta
T2P 4P4

AUDITORS

Doane Raymond
Chartered Accountants
Calgary, Alberta

LEGAL COUNSEL

Burstall Ward
Calgary, Alberta

BANKERS

The Alberta Treasury Branches
Calgary, Alberta

STOCK EXCHANGE LISTINGS

The Alberta Stock Exchange
Trading Symbol - "CIQ"

The NASDAQ Stock Exchange
Trading Symbol - "CIRQF"

Produced By Colorsynk Communications Inc.

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